



STATE OF WISCONSIN
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CORRESPONDENCE MEMORANDUM

DATE: October 18, 2010
TO: Group Insurance Board
FROM: Jeff Bogardus
Manager, Pharmacy Benefit Programs
Division of Insurance Services
SUBJECT: Early Retiree Reinsurance Program

This memo is for informational purposes only. No Board action is necessary.

This memo is to advise the Board that staff has applied and received approval for two applications to participate in the Early Retiree Reinsurance Program (ERRP), as created by the federal Patient Protection and Affordable Care Act (PPACA) of 2010. Separate applications were approved for the State Group Health Insurance Program and the Wisconsin Public Employers' (WPE) Group Health Insurance Program.

The ERRP is intended to help employer plans maintain coverage for certain early retirees, their spouses, surviving spouses, and dependents. The law defines an early retiree as an individual age 55 and older who is not an active employee and is not eligible for Medicare. Employer plans such as ETF's plan can receive up to 80% of the costs of eligible individuals' health claims between \$15,000 and \$90,000 per year. \$5 billion has been allocated to the ERRP, which was effective June 1, 2010, and runs through January 1, 2014, or until the funding is exhausted.

Following are the potential reimbursement ranges for 2010 and 2011 as developed by Deloitte:

	2010	2011
State Program	\$14.3 to \$19.4 million	\$26.2 to \$35.5 million
WPE Program	\$2.2 to \$3.1 million	\$4.1 o \$5.7 million

Reviewed and approved by Lisa Ellinger, Deputy Administrator,
Division of Insurance.

Lisa Ellinger
Signature

10/21/10
Date

Board	Mtg Date	Item #
GIB	11.9.10	5E

It should be noted that due to the number of employers participating in the ERRP and the fact that reimbursement will be made on a first-come, first-served basis for claims cost reporting, staff do not know how long the \$5 billion will last or of how much reimbursement the State and WPE programs will receive. The expectation is that the funding will be exhausted well before January 1, 2014.

As part of the application process, staff was required to indicate how the Department intended to use any funds received through the ERRP. ERRP reimbursements will be used to offset overall premium rate increases for the portion of the State and WPE group health insurance programs that includes early retirees. If reimbursement happens to exceed the amount of any overall premium increase, the excess may be used to directly offset increases or reduce plan participants' share of premiums. Reimbursement will not be used to reduce the State and WPE programs' current level of contribution as directed by ERRP regulations.

Staff is currently working with the 18 insurers that participate in the State and WPE programs to establish eligible early retiree lists and report costs for claims reimbursement. However, there is still a great deal of guidance to be provided by the Department of Health and Human Services. Staff will update the Board as more information becomes available.

Staff will be available at the Board meeting to answer any questions.